Northern and Central Gas Corporation Limited

1971 Annual Report

Principal Operating Companies:

Alberta
Canadian Industrial Gas & Oil Ltd.
640 Eighth Avenue, S.W., Calgary 2.

Coleman Collieries Limited
Coleman

Manitoba
Greater Winnipeg Gas Company
265 Notre Dame Avenue, Winnipeg R3B 1N9

Ontario
NCgas
150 Consumers Road, Willowdale 425, Ontario.

Champion Pipe Line Corporation Limited
4600 Toronto-Dominion Centre, Toronto 1.

Northern Ontario Acceptance Company Limited
4600 Toronto-Dominion Centre, Toronto 1.

Quebec
Gaz Métropolitain, inc.
1717 du Havre St., Montreal 134

Gaz du Québec, inc.
1717 du Havre St., Montreal 134

Le Gaz Provincial du Nord de Québec Ltée
9 Perreault St., East, Rouyn.

Transfer Agents:

First Preference Shares
Montreal Trust Company in Toronto, Montreal, Winnipeg, Calgary and Vancouver

Second Preference Shares
National Trust Company, Limited in Toronto, Montreal, Winnipeg, Calgary and Vancouver

Common Shares
National Trust Company, Limited in Toronto, Montreal, Winnipeg, Regina, Calgary and Vancouver.

Chemical Bank in New York

Registrars:

First Preference Shares
Montreal Trust Company in Toronto, Montreal, Winnipeg, Calgary and Vancouver

Second Preference Shares
National Trust Company, Limited in Toronto, Montreal, Winnipeg, Calgary and Vancouver

Common Shares
Montreal Trust Company in Toronto, Montreal, Winnipeg, Regina, Calgary and Vancouver

Morgan Guaranty Trust Company of New York in New York

Common Shares Listed on Toronto, Montreal, Winnipeg, Vancouver and New York Stock Exchanges

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RESULTS IN BRIEF

	1971	1970
Sales and other revenues	$192,903,000	$172,647,000
Consolidated net income	$ 15,858,000	$ 13,923,000
Net income applicable to common shares	$ 13,229,000	$ 11,207,000
Common and common equivalent shares outstanding	13,309,931	12,758,367
Basic earnings per common share	99¢	87¢
Dividends paid per common share	60¢	60¢
Utility gas sales (MMCF)	198,428	186,096
Reserves, oil and gas liquids (barrels)	69,733,000	51,672,000
gas (MMCF)	603,700	598,200
coal (short tons)	170,000,000	—
Oil and gas properties, gross acres	23,408,839	16,203,991
net acres	14,223,230	11,075,034

DIRECTORS

E. Ryckman Alexander,
Vice-Chairman of the Board, Gaz Métropolitain, inc.,
Montreal, Quebec

Peter A. Allen,
President, John C. L. Allen Limited,
Toronto, Ontario

* **Edmund C. Bovey,**
President and Chief Executive Officer,
Northern and Central Gas Corporation Limited,
Toronto, Ontario

* **C. Spencer Clark,**
Chairman of the Board,
Northern and Central Gas Corporation Limited,
Toronto, Ontario

* **E. Jacques Courtois, Q.C.,**
Chairman of the Board,
Gaz Métropolitain, inc.,
Montreal, Quebec

Robert B. Craddock,
Tucker's Town, Bermuda

* **Peter D. Curry,**
Chairman of the Board, The Investors Group,
Winnipeg, Manitoba

M. Clifford Deans,
Chairman of the Board,
Bankers Securities of Canada Limited,
Toronto, Ontario

* **Edward A. Galvin,**
President, Canadian Industrial Gas & Oil Ltd.,
Calgary, Alberta

A. Searle Leach,
Chairman of the Board, Federal Grain Limited,
Winnipeg, Manitoba

V. Theodore Low,
Partner, Bear, Stearns & Co.,
New York, N.Y.

Donald McKelvie,
President,
Northern Telephone Limited,
New Liskeard, Ontario

* **Harold C. F. Mockridge, Q.C.,**
Partner, Osler, Hoskin & Harcourt,
Toronto, Ontario

Blancke Noyes,
Partner, Hornblower & Weeks-Hemphill, Noyes,
New York, N.Y.

Theodore O. Peterson,
Chairman of the Board,
Investors Mutual of Canada Limited,
Winnipeg, Manitoba

*Executive Committee

OFFICERS

C. Spencer Clark,
Chairman of the Board

Edmund C. Bovey,
President and Chief Executive Officer

Edward A. Galvin,
Executive Vice-President, Production
President, Canadian Industrial Gas & Oil Ltd.

Donald G. Clark,
Executive Vice-President, Utilities

Adolph M. Hove,
Senior Vice-President, Utility Planning

Timothy G. Sheeres,
Vice-President, Finance & Secretary

Alan Farmer,
Vice-President

Robert T. Rhodes,
Vice-President, Gas Supply

John L. L. Orbach,
Vice-President, Overseas

Alick S. G. Duguid,
Treasurer

Mart Pedel,
Assistant Treasurer

Olga Boychuk,
Assistant Secretary

Arthur R. Elliott,
Senior Vice-President, Winnipeg
President, Greater Winnipeg Gas Company

Jean-J. Leroux,
Executive Vice-President, Ontario

Alfred E. Sharp,
Senior Vice-President, Quebec
President, Gaz Métropolitain, inc.

Northern and Central Gas Corporation Limited: an integrated Canadian energy company.

REPORT TO THE SHAREHOLDERS

The upward trend of earnings established in 1970 continued, making 1971 an important period of growth and expansion for the Company. Basic earnings per common share were 99¢, compared to 87¢ in 1970. Total revenues were up 12% to $192,903,000. Earnings applicable to common shares increased 18% to $13,229,000, while cash income increased 15% to $39,487,000. Dividends on common shares were maintained at an annual rate of 60¢.

Significant Increase in Earnings

All companies in the Northern and Central group contributed to the increase in earnings in 1971.

The utilities, as a group, continued a program of effective cost control. Revenue improvement resulted from the rate increases approved in 1970, from the upgrading of industrial and commercial customers to a better type of gas service, with correspondingly improved prices, and from higher volume of gas sales.

Canadian Industrial Gas & Oil Ltd. (CIGOL) showed consistent growth in revenues and earnings and contributed an important percentage of the total consolidated net income of the Company.

Reserves Increase

CIGOL further expanded its position as a major independent Canadian oil and gas company and, during the year, acquired all the outstanding common shares of Laurence Oils and Frisco Petroleums Ltd. These two companies have added more than 10 million barrels of oil and 21 billion cubic feet of natural gas to reserves.

Company Acquires Coal Interest

Northern and Central advanced its policy of integration in the energy field by the purchase of 82% control of Coleman Collieries Limited on August 26th, 1971.

Coleman Collieries is in the Crowsnest Pass area of southwestern Alberta and has four developed coal mining operations. This company has long-term contracts for the shipment of 1,500,000 long tons per year, commencing January 1, 1972. Coleman's proven reserves of coking coal are 170,000,000 tons.

Bond Financing Planned for 1972
The sale of $50,000,000 senior debentures in January, 1971, provided funds for the repayment of outstanding short-term debt and for the major part of the utilities' 1971 capital program. It is proposed to use the utilities' bondable property additions of the last two years to sell a first mortgage bond issue for drawdown late in 1972 or early 1973.

At year-end 1971, the Company had short-term debt of $27,000,000. The sale of commercial paper, as an intermediate form of financing capital expenditures, contributed to increased earnings in 1971 and to date in 1972, due to the current low interest rates on this form of debt. To provide interim funds for the utilities' $25,000,000 1972 capital program, this form of financing will continue to be used. Funds for CIGOL's 1972 capital spending of $25,000,000 will be provided from that company's cash flow and bank lines of credit.

Higher Gas Costs
It is anticipated that the utility companies of Northern and Central will face higher gas costs in 1972 as a result of an application by the Company's supplier for increased rates. The application will soon be considered by the National Energy Board.

Northern and Central is confident that these increased gas costs will be reflected, without undue delay, in adjusted gas rates to customers and that the effect on utility rates of return in 1972 will be minimal. The increase in the cost of gas to the Company's customers is expected to be reasonable, particularly when compared to the price increases of other forms of energy and commodities that have occurred in recent years.

Canada's Future Energy Needs
An increasing awareness developed in 1971 with regard to gas supplies and reserves and the need to insure that further reserves would be found to provide Canada's total future energy requirements. The realization that the producer must receive an adequate return on investment, in line with higher costs of finding and processing reserves, was acknowledged. At the same time, the contribution that natural gas can make to the reduction of the growing and severe pollution problems of Canadian cities became even more apparent. The important need for rationalization of the use of all forms of energy in Canada received increasing attention.

Governments, regulatory authorities and industry are reacting positively to these considerations and, in many instances, have formed either committees or departments for such study.

Case for Tax Equity Succeeds
As a result of representations by Northern and Central and other companies, the original White Paper Proposals on Taxation were modified and the new Federal tax legislation gives utility company shareholders tax treatment basically similar to shareholders in other Canadian companies. Also of interest to shareholders is that the new legislation provides, in certain instances, for off-shore exploration expenses to be deductible from Canadian earnings for tax purposes. Some further clarification is needed but, basically, this is a constructive move that can be of material assistance to independent Canadian gas and oil companies.

Unfortunately, in other directions, government activity at the Federal level has not been as reassuring. The proposed Business Competition Act, foreign ownership guidelines and consumer affairs legislation have tended to produce an environment of uncertainty for business and the people of Canada at a time when the encouragement of investment and expansion should be the prime concern of everyone.

Summary
Northern and Central Gas Corporation is today in a stronger position than ever to take full advantage of the opportunities in the ever-increasing Canadian and North American energy markets.

The outstanding performance of employees in all companies in the group has made possible the excellent results of 1971 and is acknowledged with thanks at this time. Appreciation of the continued support and interest of shareholders is also recorded.

On behalf of the Board,

C. Spencer Clark

C. Spencer Clark,
Chairman of the Board

Edmund C. Bovey
President and Chief Executive Officer

March 7, 1972.


MANITOBA
ONTARIO
QUEBEC
U.S.A.
Winnipeg
Thunder Bay
Timmins
Sault Ste. Marie
Sudbury
North Bay
Kingston District
Montreal
Utility Systems
Communities served by:
Greater Winnipeg Gas Company
Ontario Division
Gaz du Québec, inc.
Gaz Métropolitain, inc.
Le Gaz Provincial du Nord de Quebec Ltée
Gas Transmission Lines
Northern and Central Group
Other

Utilities

Gaz Métropolitain, inc

It is gratifying to report that, as indicated in the 1970 Annual Report, the various steps then taken to improve the earnings of Gaz Métropolitain, inc. have shown effect in 1971.

Results for 1971 were total revenues of $55,059,000, an increase of 8% over the previous year. Net income was $5,071,000, an increase of 183% over $1,789,000 for 1970.

This significant increase in earnings reflects the benefits derived from changed sales policies, better control of expenses and reduction of interest costs. Increased demand for natural gas, and the first full year of operation under new rate schedules approved in late 1970, also contributed to the improvement in earnings.

Marketing

Higher competitive fuel prices, and a growing concern with air pollution, have intensified interest in natural gas in Montreal.

Gaz Métro concentrated during the year on the upgrading of existing customers, the firming up of large interruptible loads, as well as the addition of new large commercial and industrial customers on or close to the existing system. Residential sales also improved during 1971.

The success of this program was evidenced by the fact that firm gas sales were 36 billion cubic feet in 1971, an 11.4% increase over the previous year. Total send-out for the year rose 6.5% to 52 billion cubic feet. The maximum daily peak was 203,448,000 cubic feet, compared with 200,817,000 cubic feet in 1970.

A large industrial contract has been signed with La Siderugie du Québec (Sidbec) for the supply of 16,200,000 cubic feet per day for a plant being built at Contrecoeur. Deliveries are to commence in the fall of 1972.

The 1971 advertising program had the theme "If everyone in Montreal used natural gas, there would be a lot less air pollution". The program will be continued in 1972 on an expanded basis.

Gas Supply

The 1971 daily contracted demand was 162,000,000 cubic per day and it will be raised in 1972 to 182,000,000 cubic feet per day.

1. Construction nears completion of second liquefied natural gas storage tank in Montreal. Storage capacity will be increased to the equivalent of two billion cubic feet of gas by mid-1972.
2. Liquefied natural gas sales of $1,520,000 were made in 1971, mostly to the New England States. Highway tanker has capacity equivalent to 913,000 cubic feet of gas.

The liquefied natural gas (LNG) plant adequately handled peak-shaving requirements in 1971. The forecast of gas requirements for the 1972-73 heating season is in excess of the capacity of the existing tank and a second tank is now under construction and will be completed in September, doubling storage capacity to two billion cubic feet.

Coke Operations

Profit of coke operations, before depreciation and taxes, was $1,830,000, an increase of 15% over the previous year. A pollution abatement program for the plant was put into operation in 1971 and further improvements are planned for 1972.

Industrial Relations

The labour contract for hourly workers was re-negotiated for a 24-month period, terminating on October 1, 1973. The clerical employees union contract will be subject to re-negotiation on September 1, 1972.

Capital Expenditures

Capital expenditures for 1971 were $10,131,000.

The Quebec Electricity and Gas Board has approved the insertion of polyethylene plastic pipe into the cast iron system. This promises to be a most significant development in Gaz Métro's continuous efforts to reduce maintenance costs, while ensuring an improved and more dependable system.

Capital expenditures for 1972 are budgeted at $14,000,000, which includes $6,100,000 for the completion of the LNG storage facilities and the building of the 41-mile, 16″ diameter pipe line to the Sidbec steel plant.

Taxes

In December, 1971, Bill 48, the Real Estate Assessment Act, was enacted by the Quebec National Assembly. Special provision has been included for public utilities which should reduce the amount of real estate taxes Gaz Métro will be required to pay in the future.

Gas Rates

In order to meet increased costs, a petition for an increase in gas rates was filed with the Electricity and Gas Board of the Province of Quebec on December 13, 1971.

Regulation

Gaz Métro continues to take an active part in current hearings before the National Energy Board.

The company's location at the end of the pipeline from Alberta makes it more vulnerable to interruption of service and, at the same time, causes it to have the highest rates for natural gas in Canada. Gaz Métro believes this position at the end of the line has precluded it from obtaining equal treatment with other distributors in regard to type and cost of gas service and intends to keep pressing for fair and realistic gas rates from the supplier.

With increasing demand for natural gas and the system expansion and improvement of the past several years, together with the industrial activity of the area served, management is confident that the significant gains of 1971 will be maintained in 1972.

A E Sharp

February 10, 1972.

A. E. Sharp, *President*

NCgas (Ontario Division)

During the year, the Ontario Division commenced using a new symbol. Previous regional identifications, Twin, NONG and Lakeland, have been replaced by NCgas which will be used on all signs and other forms of visual identification.

Net income for the year was a record $5,551,000, an increase of 22% from $4,536,000 in 1970. Gas sales also reached a record high of $61,769,000, an increase of 9% over the previous year. Number of customers served totaled 86,069, compared to 83,174 in 1970. Capital expenditures in 1971 were $6,257,000 and net total investment in property, plant and equipment increased to $121,315,000.

Marketing

1971 sales increased in all categories, indicating the increasing acceptance and demand for gas for heating and industrial processing. Improved average prices in the industrial category were obtained by upgrading of contracts and the conversion of substantial interruptible loads to firm sales.

Major customer additions included Lake Ontario Cement Limited, in the Picton area, Strathcona Paper Company Limited, near Belleville, and Domtar Fine Papers Ltd. in Cornwall. Some 700 new residential customers were added in Sault Ste. Marie.

An active sales campaign, using a newly-introduced conversion-burner program and the existing dealer organization, was highly successful and added 3,400 new customers to the system. The Gulfstream water-heater program was again very effective, with approximately 4,000 new units being installed. This year's performance in these two important sales activities produced a 20% improvement over 1970.

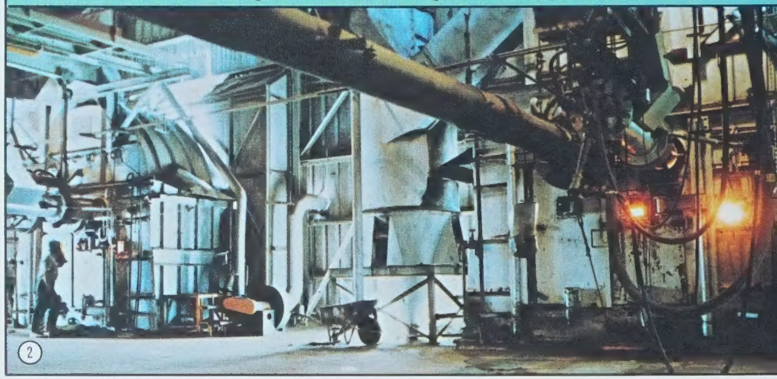
Large building developments are currently under construction in Sudbury, Sault Ste. Marie and Thunder Bay and developers are benefitting from the additional housing demand, as well as commercial and industrial growth, in areas adjacent to natural gas supply.

NCgas sold natural gas to 76% of the new housing starts throughout the service area in 1971.

Gas Supply

NCgas maintained a 94% load factor during the year and, at year-end, the

1. Important increases in volume of gas used in the reverbatory furnaces of Noranda Mines Limited were added in 1971.
2. Large new industrial customers in 1971 included the Lake Ontario Cement Limited plant, where kiln firing is a major load.
3. A new operations building was constructed in North Bay to serve the growing needs of Northeastern Ontario.
4. Residential heating in Northern Ontario continues to be a major source of revenue. More than 2,980 residential customers were added to the Ontario system in 1971.
5. Steel is annealed in these gas-fired furnaces at Algoma Steel Corporation in Sault Ste. Marie.



total contracted daily demand was 292,200,000 cubic feet. Additional long-term supply contracts for the contract year commencing November 1, 1972, for 18,275,000 cubic feet per day of firm gas have been signed with the supplier.

The liquefied natural gas plant at Hagar was operated at full liquefying and vapourizing capacity in 1971, providing 595,000,000 cubic feet of gas for winter peak-shaving purposes.

Construction

Some 42 miles of mains of various sizes and 3,234 service lines were installed in 1971 to serve new markets. The largest project was 15.7 miles of 6″ pipe, constructed to the Lake Ontario Cement plant.

Plans were completed for the construction of a $4.2 million, 54 mile, 12 inch loop line to the Sudbury Basin to meet the added sales that have developed in that area. The contract has recently been awarded and construction commenced; completion is scheduled for August 15, 1972.

Regulation

On December 17, 1971, the Ontario Energy Board approved a revised rate schedule, to become effective January 1, 1972. The decision of the Board allowed NCgas an overall rate of return of 8.6%, which incorporated a 14% return on common equity. It is anticipated that the revised rate schedules will produce additional revenues approaching $200,000 during the current year.

Employees

At December 31, the number of regular employees was 413, slightly less than a year ago. Five union contracts were negotiated satisfactorily during the year and resultant increased operating costs are to be met by increases in productivity over the next few years.

The general business outlook in the NCgas market area continues to be good, with growth in production and population at forecast levels.

February 14, 1972.

J.-J. Leroux, *Executive Vice-President*

As a public service, Greater Winnipeg Gas provides a large, illuminated sign to announce coming community events. Sign is located in front of Greater Winnipeg Gas operations building on busy Disraeli Freeway.

Greater Winnipeg Gas Company

Another year of growth was experienced by Greater Winnipeg Gas Company in 1971. The economy of the Winnipeg market is diversified, with a good foundation of agricultural business and secondary industry. Winnipeg is also a major marketing and distribution center for the prairie region.

Net income for 1971 was $3,680,000, 15% higher than last year's figure of $3,187,000.

Revenues for 1971 were $30,106,000, 7% more than 1970 revenues of $28,033,000. Revenues and earnings for 1971 benefited from an increase in rates of approximately 5%, which became effective December 7, 1970. The number of customers served at year-end was 113,779, a gain of 5,275.

System Extension

During the year, Greater Winnipeg Gas extended its service area to include the towns of Beausejour, Garson, Tyndall and East Selkirk. Construction work was done during the summer months, making natural gas available to the communities for the fall heating season.

Gas Purchases

The cost of gas increased 5.6% over 1970 to $14,482,000. This was primarily due to the increase in gas send-out. The unit cost of purchased gas has, however, remained constant during the past two years. Greater Winnipeg Gas' supplier appeared before the National Energy Board during 1971, requesting permission to increase rates. The Board has approved an increase on an over-all basis and the supplier must file new rates by March 31, 1972, after which a public hearing will be held before they are finally approved and put into effect.

Peak day send-out was 253,432,000 cubic feet, occuring on January 26. The degree day deficiency was 82. The weather for the year was approximately 2% colder than normal.

Marketing

The number of gas appliances installed during the year was 18,290, compared to 16,149 in 1970. Gas water heaters continued to be widely accepted, with 8,557 being installed in 1971, as compared with 7,927, in 1970.

Sales gains in the commercial and industrial areas were assisted by the

increasingly competitive advantage of natural gas, in relation to the price of oil.

The value of building permits issued in Greater Winnipeg during 1971 was $150,831,000, an increase of $12,005,000, or 9% over the 1970 figure of $138,827,000. The total for 1971 was only exceeded in one previous year —1969, when the value of permits issued reached the record figure of $155,931,000. Institutional and governmental building permits accounted for $34.8 million and home building accounted for $87.6 million, an increase of $22 million from the 1970 total of $65.6 million. The largest increase in building permits was in the single family dwelling category. In the home market, 3,540 new residential customers chose natural gas for heating purposes.

Capital Expenditures

Capital expenditures for utility purposes were $5,108,000. In addition, a total of $1,451,000 was invested in gas and oil exploratory work in western Canada. Greater Winnipeg Gas has participated in the drilling of thirty wells in the past two years, which has resulted in two oil and two gas discoveries. Further development work will be required before the extent of the discoveries is completely known. At the year's end, proven oil reserves of 966,000 barrels had been developed. Greater Winnipeg Gas had lease interests, with others, in about 1 million acres of land, with a net interest of nearly 200,000 acres.

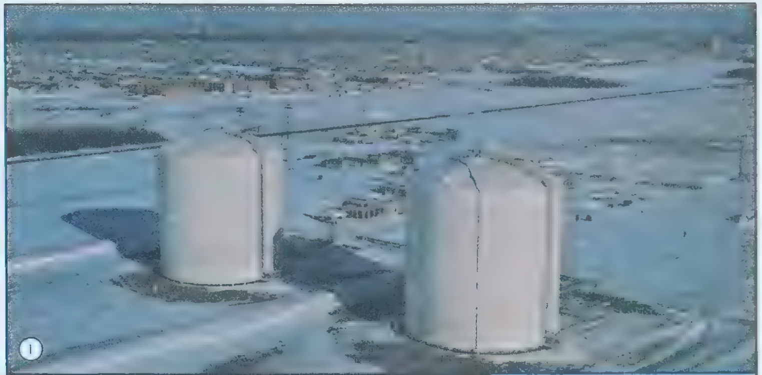
Greater Winnipeg Gas outgrew its original computer installation and, as a result, a new and more modern computer was installed in 1971.

Industrial Relations

Greater Winnipeg Gas negotiated a 33-month wage agreement with the Oil, Chemical and Atomic Workers International Union, CLC, granting substantial increases in wages and fringe benefits. The new contract expires on December 31, 1973.

February 11, 1972.

A. R. Elliott, *President*



1. Liquefied petroleum gas storage plant in Winnipeg has a capacity of ten million gallons. Second tank was completed in 1971. Propane-Air is used for peak-shaving purposes during periods of maximum demand.
2. Industrial burner used by Western Gypsum Limited, Winnipeg, to dry wallboard.
3. Following the continuing program of extending service to additional communities, natural gas was made available in 1971 to Beausejour, in photo, and to Garson, Tyndall and East Selkirk.

Champion Pipe Line Corporation Limited

The earnings of Champion Pipe Line Corporation Limited for 1971 were $547,000, up 154% from $215,000 in 1970. Total revenues were $1,120,000, an increase of 85% from $606,000 in the previous year. Revenues from gas transmission charges were $284,000 and commission revenue from liquefied natural gas sales was $836,000.

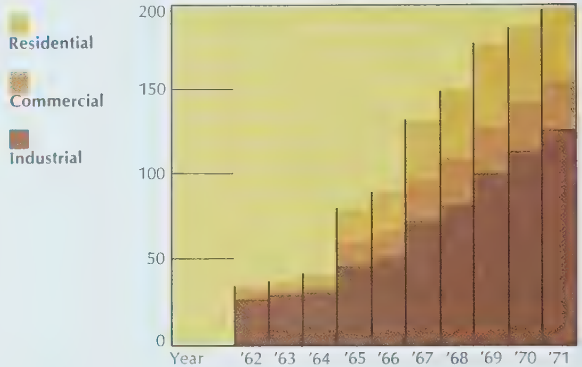
Champion became the sales agent in 1970 for liquefied natural gas from the LNG plant of Gaz Métropolitain, inc. in Montreal. Ready markets for the product were found in New England and this marketing program came into full operation in 1971, when Champion delivered the equivalent of 1.35 billion cubic feet of natural gas to three large gas distribution companies in the greater Boston area. All of the liquefied natural gas sold was surplus to the needs of Gaz Métropolitain.

The sale of liquefied natural gas to other markets by Champion has accelerated the construction of additional storage facilities and their maximum use, resulting in economies and increased revenues for both Gaz Métropolitain and Champion.

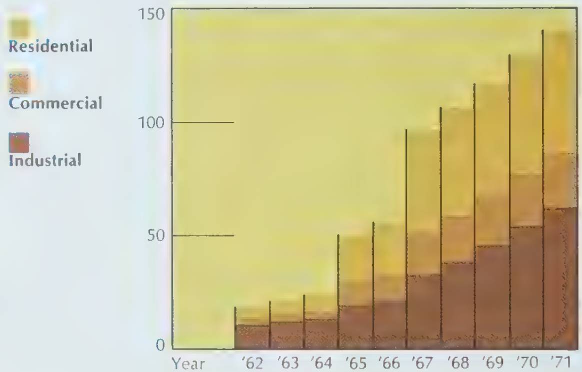
February 28, 1972.

Northern and Central Gas Corporation

Utility Gas Sales—Volume In billions of cubic feet



Utility Gas Sales—Revenue In millions of dollars



Gas, Oil and Coal Production

Canadian Industrial Gas & Oil Ltd.

The steady growth of Canadian Industrial Gas & Oil Ltd. was maintained throughout 1971. Exploration success resulted from drilling ventures in the western Canadian Sedimentary Basin, the Arctic and the North Sea.

Total revenues were $41,271,000, up 24% from $33,196,000 in 1970. Net income increased 14% to $9,889,000, from $8,643,000 last year, and cash flow increased 15% to $17,479,000, compared to $15,228,000 in 1970.

Crude oil and natural gas liquids production averaged 10,162 barrels per day, compared to 9,306 in 1970. Natural gas production averaged 93,400,000 cubic feet per day, compared to 95,200,000 in 1970.

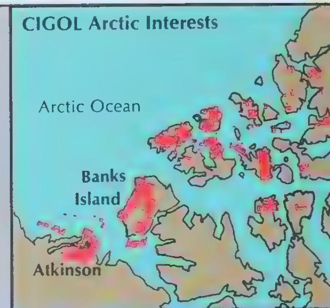
Crude oil and natural gas liquids reserves increased to 69,733,000 barrels and natural gas reserves were 604 billion cubic feet at the end of the year. Total sales of propane and butane were 76,500,000 gallons.

Exploration

Early in the year, CIGOL, through its 97% owned subsidiary, Trans-Prairie Pipelines, Ltd., made an oil discovery in the Golden Lubicon area of Alberta. Subsequently, seven development wells were drilled of which four have been completed as oil wells. Exploration activities of CIGOL resulted in an oil discovery in the Beatton River area of British Columbia and another in the Meekwap area of central Alberta. Three gas discoveries in the Manyberries, Barrhead and West Prairie River areas of Alberta were made during the year. Work is currently in progress to evaluate these finds.

In the Arctic, CIGOL, through its 74% owned subsidiary, Prairie Oil Royalties Company, Ltd. and its interest in Panarctic Oils Ltd., participated in the drilling of a second gas well on King Christian Island. The operator, Panarctic, reported the well to have flowed on test at 186,000,000 cubic feet of gas per day. Late in December, Panarctic announced another gas discovery at Kristoffer Bay on Ellef Ringnes Island. Through its 10% interest in Elf Oil Exploration and Production Canada Ltd., CIGOL participated in drilling wells on Prince Patrick Island, on Banks Island and a third offshore the east coast of Canada.

In the Scottish sector of the North Sea, a gas condensate well in which CIGOL has a 15% interest was completed on a major structure in 1971. The company is participating in further applications for licenses in other areas of the North Sea and offshore British Isles as a member of a consortium in which it has a 15% interest.



1. CIGOL is active in Arctic exploration and, through Prairie Oil Royalties, participated in major gas discoveries on Melville and King Christian Islands. Illustrated is the Panarctic Fosheim well on Ellesmere Island, 40 miles south of the Panarctic Romulus well which recently reported an oil discovery. CIGOL has an interest in both these wells through its participation in Panarctic Oils.

2. In addition to an active exploration and production program, Trans-Prairie Pipelines Ltd. operates a 620 mile gathering and transmission system. Average daily delivery through the system was 111,180 barrels in 1971. Illustrated is the automatic booster station at Weyburn, Sask.

3. CIGOL's extensive gas and oil exploration program is directed by groups of highly skilled and experienced geologists and geophysicists. Gas and oil properties total 23,409,000 gross acres (14,223,000 net) and are located in many parts of the world.

CIGOL acquired a 21¼% interest in April, 1971, in a concession of 426,322 acres offshore the east coast of Malta. A geophysical survey has since been carried out on these lands and a well was spudded on January 5, 1972.

In January, 1972, CIGOL was awarded an exploration licence for approximately 72,000 acres off the Sicilian coast.

The company and Th. Weisser KG. acquired from the Tunisian Government three exploration permits in April, 1971. Two of these permits are located offshore and one is in the Tunisian Western Desert; all three total 3,500,000 acres. CIGOL currently retains a 38% working interest in the project. Since April, discovery wells with prolific oil production have been drilled in adjoining concessions.

An office was opened in London in October, 1971, to manage European and African affairs.

Land Holdings

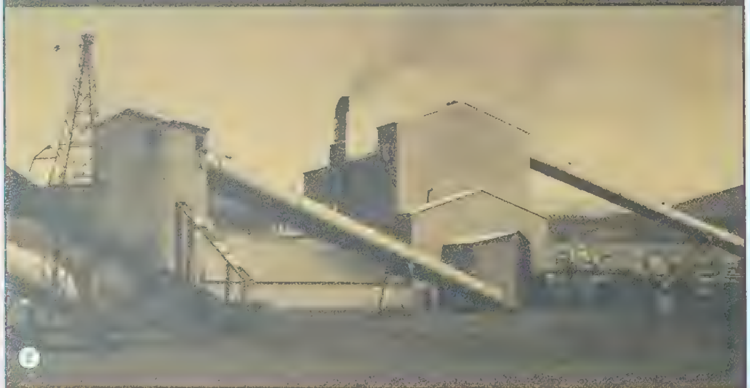
Land holdings increased in 1971 to over 23,000,000 gross acres and 14,000,000 net acres. In addition to the 1,250,000 net acres acquired in the Tunisia permits, over 1,000,000 net acres in permits offshore Banks Island in the Arctic and 2,000,000 net acres off the east coast of Canada were added.

Acquisitions

In January, 1971, 100,000 shares were issued to acquire the remaining outstanding 50% of Western Propane, Inc. This subsidiary distributes liquefied petroleum gas in Washington and Oregon and sold over 28 million gallons in 1971. Also in January, 185,000 shares were issued for a 100% interest in Laurence Oil Co. Ltd. which has producing properties in the Swalwell oil field of Southern Alberta. An agreement was made with Canadian Bonanza Petroleums Ltd. in December to exchange 755,000 shares for all outstanding shares of Frisco Petroleums Ltd. Frisco's oil and gas properties are located in the Lathom and Countess fields of Alberta and will add over 10 million barrels of oil and 21 billion cubic feet of gas to CIGOL's reserves.

February 24, 1972.

E. A. Galvin, *President*



1. Strip mining at Coleman Collieries contributed to the 1971 total production of 1,090,474 short tons of coal. Tent Monutain No. 4 Pit, illustrated, is 5,980 feet above sea level.
2. Wash plant of Coleman Collieries was constructed in 1969 and has a present capacity of 400 short tons of clean coal per hour.

Coleman Collieries Limited

The year 1971 was one of considerable progress and further development for Coleman Collieries Limited. Purchases and deliveries of equipment and mine preparation were essentially completed so as to enable the company to mine and ship coal on firm contracts at the rate of 1,500,000 long tons per year in 1972, as compared to a rate of 1,000,000 long tons in 1971. The fiscal year has been changed to a calendar basis and, as a result, the figures here presented are for the nine months ended December 31, 1971.

Gross sales for this period were $9,438,000, compared to $12,201,000 for the twelve-month period ended March 31, 1971. During the 1970-71 fiscal period, sales revenues included $1,231,000 Government of Canada subvention assistance which terminated March 31, 1971.

Production during the period under review was lower than anticipated due to local geological disturbances which were encountered in Vicary Creek #2 North mine and the delay in delivery of one continuous mining unit. At this date, mine development has advanced into normal geological formation. Efforts are presently being concentrated on advancing main development headings in new mining areas.

Expenditure on mine development during the period was $1,892,000, as compared to $1,008,000 for the twelve months ended March 31, 1971.

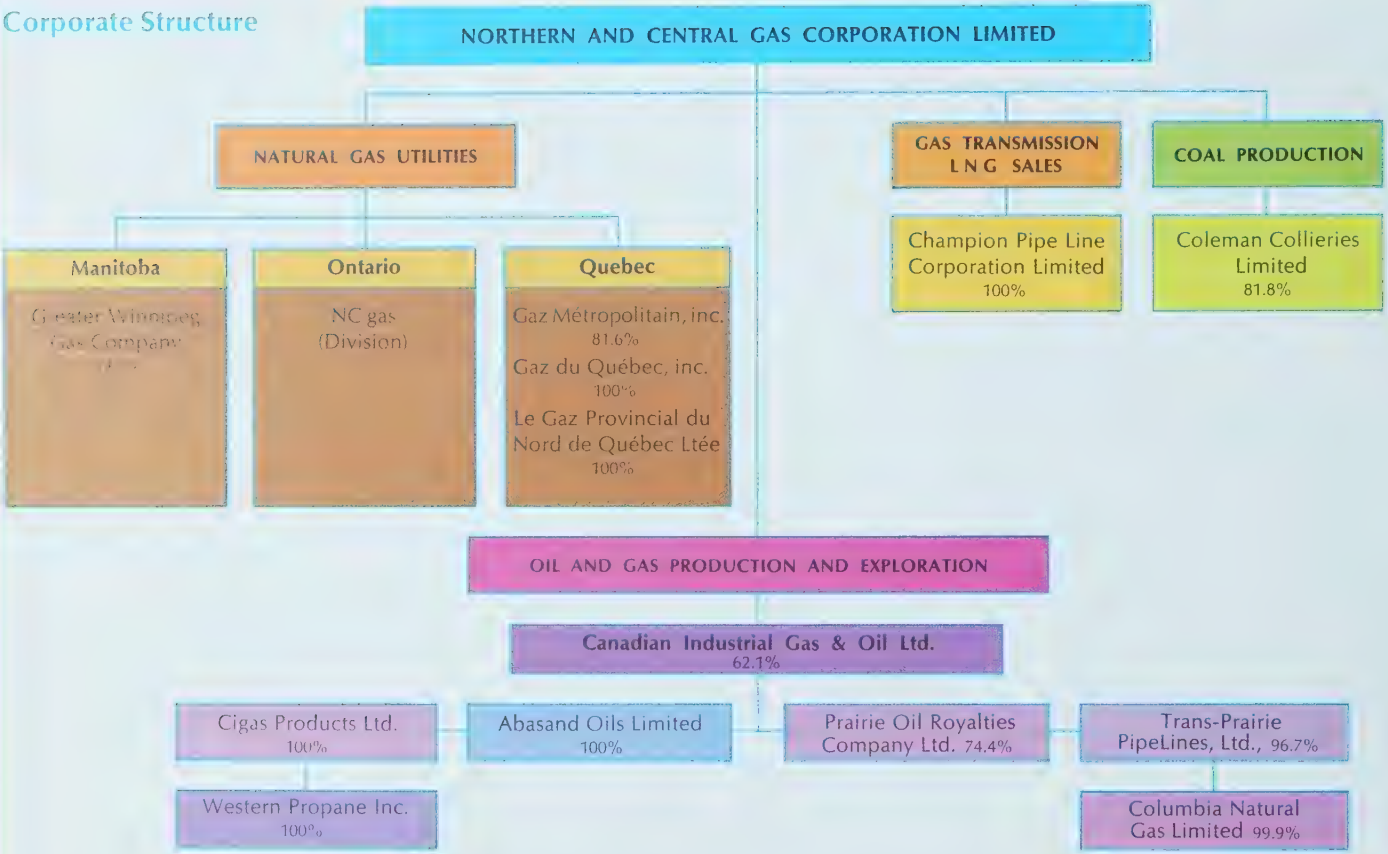
Other capital expenditure for the nine-month period amounted to $2,038,000. Receipt in February of the last continuous mining unit has completed the planned equipment expansion program.

February 28, 1972.

J. S. Diskin, *President*

1. Total production of Coleman Collieries is presently shipped under contract to Japan. Additional markets are being developed and trial shipments have been made to Europe.
2. Coleman coal being off-loaded for the Nippon Kokan K.K. steel mill at the Port of Kawasaki, Japan. Shipments are made to various Japanese mills under contracts with two major trading companies.
3. To meet larger export contracts, production of the Vicary Creek Mine is being increased. Ten continuous mining machines are now operated by Coleman Collieries.

Corporate Structure



Principal Subsidiaries of Northern and Central Gas Corporation and Canadian Industrial Gas & Oil Ltd., showing percentage of ownership at December 31, 1971.

Riddell, Stead & Co.

CHARTERED ACCOUNTANTS

P.O. Box 431, Royal Trust Tower, Toronto-Dominion Centre, Toronto 111, Ontario

AUDITORS' REPORT

To the Shareholders
Northern and Central Gas Corporation Limited

We have examined the consolidated balance sheet of Northern and Central Gas Corporation Limited and its subsidiaries as at December 31, 1971 and the consolidated statements of income, retained earnings, paid-in surplus and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1971 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Riddell, Stead & Co.

February 11, 1972

Financial Statements

ACCOUNTING POLICIES

The principal accounting policies followed by Northern and Central Gas Corporation Limited, and its subsidiaries, are summarized here to facilitate a comprehensive review of the financial statements contained in this report.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and all its subsidiaries; all inter-company transactions have been eliminated.

Acquisition of Coleman Collieries Limited

On August 26, 1971, the Company acquired for $15,260,000 cash certain securities, including an 82% equity interest, of Coleman Collieries Limited, which mines and sells coal from its reserves in the Crowsnest Pass area of southwestern Alberta.

The excess, $14,247,000, of the acquisition cost over the value of the net assets recorded by Coleman has been attributed in consolidation to cost of coal properties and will be systematically amortized on the basis of coal production commencing in 1972.

The Company's share of Coleman's net income, since date of acquisition, is included as a separate item in the consolidated statement of income.

Intangible assets arising from acquisitions

The excess of cash or other consideration attributed to the acquisition of shares of gas utility subsidiaries over the underlying book values of their net assets, at dates of acquisition, has been reflected as intangible assets arising from acquisitions and is not presently being amortized.

Earnings per share

Basic earnings per share have been calculated using the weighted monthly average number of common shares and common equivalent shares (options and warrants) outstanding during the year (13,309,931 shares in 1971; 12,758,367 shares in 1970). Fully diluted earnings per share represents basic earnings per share figures after giving effect, on a pro forma basis, to the conversion of outstanding convertible preference shares.

Depreciation and depletion

Gas utility facilities

Depreciation is provided on the straight-line method by application of rates varying from 1¼% to 25% of cost. The application of these rates has been equivalent to an annual composite rate of approximately 2½%.

Oil and gas exploration and production facilities

Oil and gas properties include all expenditures related to the exploration and development of oil and gas reserves, whether or not potentially productive.

Depletion of oil and gas properties is provided on the composite unit-of-production method, based on total estimated recoverable oil and gas reserves, and applied to remaining costs of oil and gas properties.

Oil and gas production equipment and related facilities are depreciated on the straight-line method at rates varying from 3⅓% to 25% of cost. The application of these rates has been equivalent to an annual composite rate of approximately 5%.

Coal properties

Coal properties include initial costs and development thereon, together with the excess of the Company's acquisition cost over the value of the net assets recorded by Coleman.

Depletion of individual producing coal properties is provided on the unit-of-production method based on their estimated recoverable coal reserves and applied to remaining costs of such reserves.

Production equipment is depreciated on a straight-line method at rates varying from 5% to 30% of cost.

Income taxes

Gas utilities

The companies' rates and revenues established for regulatory purposes include recovery of income taxes currently payable; accordingly, the companies provide income taxes on this basis and do not provide for income taxes, which may be payable in future years, as a result of current differences in timing of deductions for financial reporting and income tax purposes, principally in respect of depreciation and amortization. Such income taxes not provided and not recovered in revenues amounted, before applicable minority interests, to $5,000,000 in 1971, $4,300,000 in 1970 and $37,200,000 in total to December 31, 1971.

Oil and gas exploration and production

The companies claim amounts for income tax purposes, in respect of oil and gas properties and production facilities, in excess of the related depletion and depreciation provisions in the accounts, thereby reducing income taxes currently payable. The companies follow the general practice in the oil and gas industry of not providing for such reduction in income taxes currently payable which amounted, before applicable minority interests, to $4,300,000 in 1971, $3,900,000 in 1970 and $22,200,000 in total to December 31, 1971.

Deferred charges

The companies follow the policy of deferring in the year incurred the costs and expenses of issuing long-term debt and of amortizing these charges against income over the term of the applicable issue.

In addition, the gas utilities defer in the year incurred other expenses, principally contributions to customers for conversion to natural gas and certain gas costs, which the regulatory authorities require or permit to be recovered from future revenues; such charges are being amortized over various time periods, not in excess of 20 years.

CONSOLIDATED STATEMENT OF INCOME

for the year ended December 31, 1971 (thousands of dollars)

	1971	1970
Revenues		
Sales and other revenues	$192,784	$172,647
Share of income of Coleman Collieries Limited (a)	119	
	192,903	172,647
Costs and Expenses		
Gas purchases	93,090	[illegible]
Operations and maintenance	31,500	27,133
Depreciation and depletion (Note 11) and (a)	16,912	15,645
Taxes, other than income taxes	5,337	5,076
Interest	24,158	21,674
Income taxes (a)	718	746
	171,715	154,416
Income Before Minority Interests	21,188	18,231
Minority interests in subsidiaries		
Preference share dividends	932	1,070
Common share earnings	4,398	3,238
	5,330	4,308
Consolidated Net Income (Note 11)	15,858	13,923
Dividends on preference shares	2,629	[illegible]
Net Income Applicable to Common Shares	$ 13,229	$ 11,207
Earnings per common share (Note 11) and (a)		
Basic	99¢	87¢
Fully diluted	97¢	85¢

(a) See "Accounting Policies"

CONSOLIDATED BALANCE SHEET

as at December 31, 1971 (thousands of dollars)

Assets	1971	1970
Current Assets		
Cash and short-term deposits	$ 8,237	$ 11,062
Accounts receivable	26,115	25,081
Unbilled gas sales	4,932	4,832
Inventories, at lower of cost and replacement cost	8,691	7,578
Prepayments, advances and deposits	2,606	2,882
	50,581	51,435
Investments, at cost (Note 3)	27,810	25,412
Property, Plant and Equipment (Notes 4 and 11) and (a)		
Cost	600,365	524,429
Accumulated depreciation and depletion	124,723	107,451
	475,642	416,978
Deferred Charges, at amortized cost (Note 5) and (a)	16,552	15,209
Intangible Assets Arising from Acquisitions, at amortized cost (Note 11) and (a)	36,321	36,292
	$606,906	$545,326

(a) See "Accounting Policies"

Signed on behalf of the Board:

Edmund C. Bovey, Director.

C. Spencer Clark, Director.

Liabilities

	1971	1970
Current Liabilities		
Commercial paper	$ 18,350	$ 21,575
Accounts payable and accrued	31,087	24,038
Income and other taxes	1,518	1,174
Current maturities on long-term debt	7,944	7,353
Other	1,099	1,172
	59,998	55,312
Bank Loans (Note 6)	27,702	27,452
Long-Term Debt (Note 7)	305,729	261,566
Minority Interests in Subsidiaries (Note 8)	60,144	50,853
Total Liabilities	453,573	395,183

Shareholders' Equity

		1971	1970
Capital Stock (Note 9)			
Authorized			
574,617	First preference shares $50 each par value, issuable in series		
1,685,326	Second preference shares $25 each par value, issuable in series		
30,445,160	Common shares without par value		
Issued			
	First preference shares		
138,606	$2.60 cumulative first series	6,930	7,200
35,803	$2.70 cumulative second series	1,790	1,969
	Second preference shares		
10,126	$1.06 cumulative series A	253	5,702
1,311,975	$1.50 cumulative convertible series B	32,799	32,799
13,408,796	Common shares	78,872	73,628
Paid-in Surplus		1,909	3,361
Retained Earnings (Note 10)		30,780	25,484
Total Shareholders' Equity		153,333	150,143
		$606,906	$545,326

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS AND PAID-IN SURPLUS

for the year ended December 31, 1971 (thousands of dollars)

	Retained Earnings 1971	Retained Earnings 1970	Paid-in Surplus 1971	Paid-in Surplus 1970
Balance at Beginning of Year				
As previously reported	$ 25,983	$ 22,402	$ 3,361	$ 7,775
Adjustment of depreciation and amortization (Note 11)	499	304		
As restated	25,484	22,098	3,361	7,775
Consolidated net income	15,858	13,923		
	41,342	36,021	3,361	7,775
Dividends				
Preference shares	2,629	2,716		
Common shares	7,914	7,621		
Adjustment of investment in CIGOL resulting from issues of additional common shares			1,389	(87)
Share issue expenses			63	4,501
Other	19	200		
	10,562	10,537	1,452	4,414
Balance at End of Year (Note 10)	$ 30,780	$ 25,484	$ 1,909	$ 3,361

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

for the year ended December 31, 1971 (thousands of dollars)

	1971	1970
Source of Funds		
From operations		
Consolidated net income	$ 15,858	$ 13,923
Charges not requiring funds (depreciation, depletion, amortization and minority interests)	23,629	20,342
	39,487	34,265
Increase (decrease) in minority interests	3,893	(1,166)
Issue of long-term debt	55,251 (i)	47,157
Issue of common shares for cash	33	16,886
Other items (net)	116	1,502
	98,780	98,644
Application of Funds		
Net additions to property, plant and equipment	61,108 (ii)	26,351
Decrease (increase) in bank loans	(250)	26,078
Retirement of long-term debt	11,088	7,731
Dividends on common shares	7,914	7,621
Dividends on preference shares	2,629	2,716
Redemption of preference shares	687	551
Financing expenses and other deferred charges	3,662	4,001
Increase in investments	2,398	4,669
Acquisition of shares of subsidiaries	15,084	2,676
	104,320	82,394
Increase (Decrease) in Working Capital Position	$(5,540)	$ 16,250

(i) Includes $5,251,000 long-term debt of Coleman.
(ii) Includes $16,379,000 net property and plant of Coleman.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 1971

1. Accounting policies

The information on page 20 presents a summary of certain accounting policies and is an integral part of these financial statements.

2. Subsidiaries

Sales and other revenues, the Company's share of net income (both in thousands of dollars) and percentage ownership held by the Company at year end for each principal subsidiary, other than Coleman, were:

	1971			1970		
	Sales and other revenues	Share of net income	Ownership	Sales and other revenues	Share of net income	Ownership
Gas utilities						
Greater Winnipeg Gas Company	$30,106	$3,668	99.7%	$28,033	$3,174	99.6%
Gaz Métropolitain, inc.	55,059	3,361	81.6%	50,846	782	81.6%
Oil and gas exploration and production						
CIGOL and subsidiaries	41,271	5,985	62.1%	33,196	5,460	66.0%

Coleman's operating results (in thousands of dollars) for each of its last two fiscal periods are summarized as follows:

	Nine months ended December 31, 1971	Twelve months ended March 31, 1971
Sales	$6,194	$7,699
Costs of production	(5,091)	(6,525)
Depreciation and depletion	(776)	(811)
Net income	$ 327	$ 363

3. Investments (in thousands of dollars)

	1971	1970
Gas utilities		
Mortgages receivable	$14,309	$16,322
Other	590	[illegible]
	14,899	16,747
Oil and gas exploration and production		
Shares and advances—fifty percent owned companies	108	1,216
Shares of Elf Oil Exploration and Production Canada Ltd.	9,536	4,274
Other shares	3,267	[illegible]
	12,911	8,665
	$27,810	[illegible]

4. Property, plant and equipment (in thousands of dollars)

	1971			1970
Description	Cost	Accumulated depreciation and depletion	Net	Net
Gas utilities				
Coke plant	$ 16,557	$ 8,604	$ 7,953	$ 8,129
Gas storage	20,455	1,269	19,186	19,341
Gas distribution	318,008	39,627	278,381	267,017
Rental equipment	38,482	8,188	30,294	32,560
General plant	17,035	4,160	12,875	12,034
Construction in progress	2,610		2,610	294
Customers' and other contributions	(3,059)		(3,059)	(2,642)
	410,088	61,848	348,240	336,733
Oil and gas exploration and production				
Oil and gas properties and equipment	109,599	37,517	72,082	60,453
Pipelines and processing plants	27,423	17,652	9,771	9,998
Propane marketing equipment	17,733	4,199	13,534	9,794
	154,755	59,368	95,387	80,245
Coal properties				
Coal reserves	22,401	338	22,063	
Production equipment	13,121	3,169	9,952	
	35,522	3,507	32,015	
	$600,365	$124,723	$475,642	$416,978

5. Deferred charges, at amortized cost (in thousands of dollars)

Description	Basis or period of amortization	1971	1970
Gas utilities			
Long-term debt issue expense	Amortized over term of applicable issue	$ 8,767	$ 7,664
Contribution to customers for conversion to natural gas	3 to 20 years	1,955	1,600
Excess gas costs	10 to 20 years	1,170	1,267
Special rental appliance expenses	13¹/₃ years	903	988
Rate hearing expense	3 to 5 years	908	879
Extraordinary plant retirements	5 to 10 years	957	763
Computer conversion costs	5 to 7 years	639	588
Preliminary engineering and other projects	Expensed, amortized, or capitalized on completion	1,020	1,176
		16,319	14,925
Oil and gas exploration and production			
Long-term debt issue expense	Amortized over term of applicable issue	159	208
Other	20 years	74	76
		233	284
		$16,552	$15,209

6. Bank loans (in thousands of dollars)

	1971	1970
The Company	$ 9,000	$13,525
CIGOL and subsidiaries, secured primarily on oil and gas properties	16,677	13,927
Coleman	2,025	
	$27,702	$27,452

While these loans are evidenced by demand notes, the Company customarily repays its bank loans from the proceeds of long-term financing.

7. Long-term debt (in thousands of dollars)

	Due within one year	1971	[illegible]
Northern and Central Gas Corporation Limited			
5¹/₂%-8¹/₂% First mortgage bonds, 1972-1989	$ 4,579	$ 97,791	$ 99,391
9⁵/₈% Senior debentures, 1991		50,000	
6% Notes and subordinated notes, 1975-1987	140	7,954	8,094
5³/₄%-9¹/₂% Debentures, 1982-1991	320	56,264	58,911
	5,039	212,009	166,396
Greater Winnipeg Gas Company			
5³/₄%-6% First mortgage bonds, 1978-1984	575	19,100	19,675
5¹/₂%-6% Debentures, 1979-1980	200	3,025	3,225
	775	22,125	22,900
Gaz Métropolitain, inc.			
5¹/₂%-7% First mortgage bonds, 1980-1990	1,859	33,497	35,198
6% General mortgage bonds, 1988-1989	310	11,310	11,585
5³/₄% Debentures, 1985	500	17,000	17,500
	2,669	61,807	64,283
CIGOL and subsidiaries			
5⁷/₈%-6¹/₂% First mortgage bonds, 1976-1983	956	11,778	12,816
6¹/₄% Debentures, 1976	78	300	380
Notes and purchase agreements	214	2,368	2,053
	1,248	14,446	15,249
Coleman Collieries Limited			
12% Debentures, 1981		660	
Mortgages 1972-1977	360	2,487	
Note, 1981 (non-interest bearing)		1,835	
Notes, 1973-1976	96	269	
	456	5,251	
Other	11	289	324
	$10,198	315,927	269,152
Deduct			
Long-term debt held for sinking fund purposes		2,254	233
Current maturities on long-term debt		7,944	7,353
		10,198	7,586
		$305,729	$261,566

The above figures include premiums on securities issued in U.S. funds converted to Canadian funds at their respective dates of issue. Long-term debt maturities and sinking fund requirements, for each of the four years subsequent to 1972, are as follows:
1973 – $11,286,000; 1974 – $11,528,000; 1975 – $11,969,000; 1976 – $12,356,000.

8. Minority interests in subsidiaries (in thousands of dollars)

	1971			1970
	Preference shares	Common share equity	Total	Total
Gas utilities				
Greater Winnipeg Gas Company		$ 80	$ 80	$ 84
Gaz Métropolitain, inc.	$15,160	7,018	22,178	21,578
Oil and gas exploration and production				
CIGOL and subsidiaries	1,676	34,518	36,194	29,191
Coal properties				
Coleman Collieries Limited	2,081	(389)	1,692	
	$18,917	$41,227	$60,144	$50,853

9. Capital stock

Changes in the Company's issued capital during 1971 were as follows (in thousands of dollars):

	Common shares		First preference shares				Second preference shares			
			First series		Second series		Series A		Series B	
	Number	Amount	Number	Par value	Number	Par value	Number	Par value	Number	Par value
January 1, 1971	13,057,406	$73,628	144,000	$7,200	39,388	$1,969	228,075	$5,702	1,311,975	$32,799
Issued for cash										
Employees' share purchase plan	2,710	31								
Warrants	215	2								
Incentive stock option plan	14,995									
Converted	333,470	5,211					(208,419)	(5,211)		
Redeemed			(5,394)	(270)	(3,585)	(179)	(9,530)	(238)		
December 31, 1971	13,408,796	$78,872	138,606	$6,930	35,803	$1,790	10,126	$ 253	1,311,975	$32,799

The first preference shares, first and second series, are currently redeemable at $52.00 and $50.50 per share, respectively, and do not presently have voting rights. The second preference shares, series A, are redeemable at $27.50 per share and have voting rights. The second preference shares, series B, (redeemable at $26.50 per share after August 14, 1976), have voting rights and are convertible into 2,361,555 common shares to August 15, 1977.

Unissued common shares are reserved as follows:

22,725	under the employees' share purchase plan, of which 4,649 shares are being subscribed for at prices ranging from $11.79 to $15.14 per share,
2,114	for the exercise of warrants at prices increasing from $9.75 to $15.00 per share and expiring in 1978,
799,325	for the exercise of warrants at $14.00 per share and expiring in 1977,
434,507	for the incentive stock option plan, of which options on 377,400 shares were outstanding at December 31, 1971, exercisable at prices from $11.875 to $16.50 and expiring to 1976. During 1971, options on 76,000 shares were granted, options on 59,680 shares were exercised and options on 2,640 shares expired.
1,258,671	

10. Retained earnings

The indentures and agreements relating to the Company's long-term debt obligations contain covenants limiting the payment of dividends.

11. Restatement of prior years

In compliance with an order of the Ontario Energy Board in 1971, $3,920,000 previously included in intangible assets arising from acquisitions, has been reclassified to property, plant and equipment. Also as a result of the order, an amount of $499,000 has been charged to retained earnings as an adjustment of prior years' depreciation and amortization, of which $195,000 is applicable to 1970 and $304,000 to 1969 and prior years. For comparative purposes, the 1970 figures presented herein have been restated to reflect such adjustments.

12. Commitments and 1972 capital program

It is anticipated that the companies will expend in 1972 approximately $50,000,000 on gas utility facilities, oil and gas exploration and production facilities and other financial requirements, which it is proposed to finance from operating revenues, from the proceeds of long-term financing, and through available lines of credit with chartered banks, including the sale of commercial paper.

Dividends on the Company's preference and common shares declared in December, 1971, in respect of and payable in 1972, are not reflected in the consolidated financial statements.

13. Statutory information

The remuneration of directors and senior officers of the Company, paid by the Company and its subsidiaries, aggregated $823,000 in 1971 and $775,000 in 1970.

TEN YEAR STATISTICAL COMPARISON

INCOME (in thousands of dollars)	1971	1970 (Note 1)	1969 (Note 1)
Revenues			
Gas utilities	$ 147,879	136,533	121,919
Oil and gas exploration and production	41,271	32,584	33,390
Other (Note 4)	3,753	3,530	3,709
	192,903	172,647	159,018
Costs and expenses			
Gas purchases	93,090	84,142	75,451
Operations and maintenance	31,500	27,133	25,416
Depreciation and depletion	16,912	15,645	16,219
Taxes, other than income taxes	5,337	5,076	4,761
Interest	24,158	21,674	18,420
Income taxes	718	746	1,913
	171,715	154,416	142,180
Income before minority interests	21,188	18,231	16,838
Minority interests	5,330	4,308	4,830
CONSOLIDATED NET INCOME	$ 15,858	13,923	12,008
EARNINGS AND DIVIDENDS (Note 2)			
Dividends on preference shares	$ 2,629,000	2,716,000	2,779,000
Earnings applicable to common shares	$13,229,000	11,207,000	9,229,000
Basic earnings per common share	$ .99	.87	.77
Cash dividends paid on common shares	$ 7,914,000	7,621,000	6,684,000
Cash dividend per common share	$ .60	.60	.575

1968 (Note 3)	1967	1966	1965	1964	1963	1962
110,970	103,065	57,785	52,180	24,413	21,610	18,840
23,559	21,268	19,528	—	—	—	—
2,102	1,527	846	603	97	113	178
136,631	125,860	78,159	52,783	24,510	21,723	19,018
65,771	61,222	37,807	29,930	16,028	14,024	12,556
22,628	22,846	12,981	6,735	2,704	2,677	2,164
11,253	10,399	6,505	2,880	1,091	946	713
3,914	3,295	1,337	1,180	341	278	259
14,856	12,236	6,184	4,542	2,298	2,214	1,822
1,025	1,403	1,399	1,089	9	8	8
119,447	111,401	66,213	46,356	22,471	20,147	17,522
17,184	14,459	11,946	6,427	2,039	1,576	1,496
3,143	3,370	3,563	3,074	16	15	19
14,041	11,089	8,383	3,353	2,023	1,561	1,477
2,816,000	1,238,000	760,000	191,000	114,000	120,000	120,000
11,225,000	9,851,000	7,623,000	3,162,000	1,909,000	1,441,000	1,357,000
.96	.85	.89	.89	.62	.51	.49
5,435,000	4,431,000	3,021,000	989,000	822,000	698,000	346,000
.475	.39	.3375	.30	.275	.25	.125

Notes

(1) Principal subsidiaries acquired during the period were:

Lakeland Natural Gas Limited	1965
Greater Winnipeg Gas Company	1965
Canadian Industrial Gas & Oil Ltd.	1966
Gaz Métropolitain, inc.	1967
Trans-Prairie Pipelines, Ltd. (subsidiary of CIGOL)	1969
Coleman Collieries Limited	1971

(2) Restated to give effect to a 2 for 1 split of common shares in 1966.

(3) Restated – see Note 11 on page 27.

(4) Includes share of 1971 income of Coleman Collieries Limited.

Five year statistical information of individual companies is available upon request.

TEN YEAR STATISTICAL COMPARISON

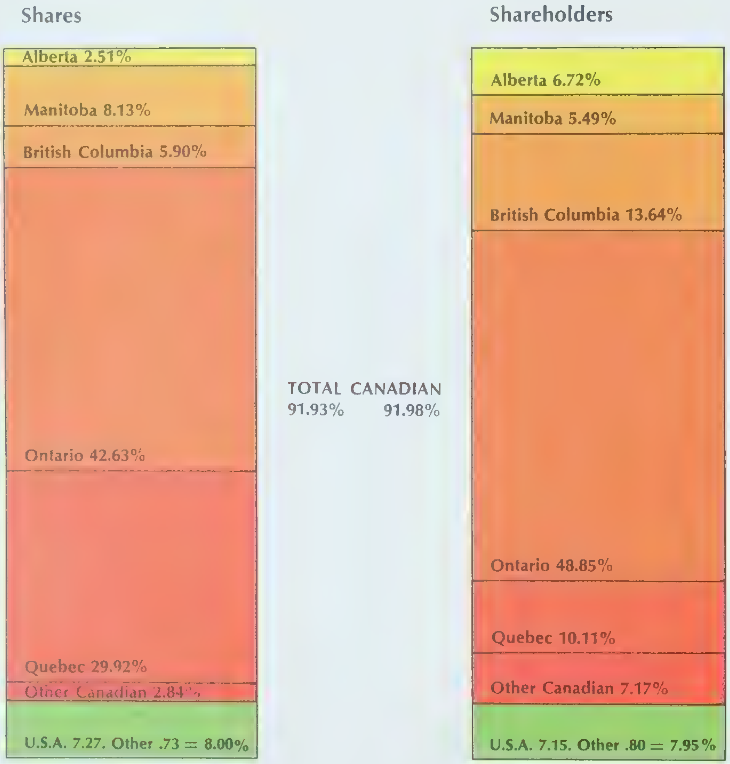
SYSTEM DATA—GAS UTILITIES	1971	1970	1969
Miles of pipe at year-end—distribution and transmission	4,871	4,764	4,696
Expenditures for plant additions (000's)	$ 22,956	17,189	43,556
Active utility customers at year-end			
Industrial	2,072	2,038	1,973
Commercial	26,364	25,730	25,319
Residential	370,985	369,508	371,216
Total	399,421	397,276	398,508
Gas sales—MCF			
Industrial, firm	73,449,465	62,334,342	54,727,140
Industrial, interruptible	51,806,854*	50,865,461*	45,247,563
Commercial	29,303,295	29,117,926	26,862,167
Residential	43,868,516	43,777,970	40,600,054
Resale	—	—	—
Total	198,428,130	186,095,699	167,436,924
Gas sales and other operating revenues (000's)			
Industrial, firm	$ 40,259	33,464	28,836
Industrial, interruptible	21,801*	19,522*	16,634
Commercial	24,626	23,641	21,778
Residential	54,381	53,289	49,803
Resale	—	—	—
Other operating revenues	6,812	6,617	4,868
Total	$ 147,879	136,533	[illegible]

1968	1967	1966	1965	1964	1963	1962
4,445	4,068	2,618	2,388	1,001	968	931
44,640	32,364	19,947	11,815	3,929	4,243	7,977
1,977	1,916	423	402	106	110	96
24,705	23,649	12,853	11,998	4,221	3,860	3,277
366,233	360,215	149,025	136,567	48,607	44,651	39,052
392,915	385,780	162,301	148,967	52,934	48,621	42,425
43,619,254	38,757,233	24,861,309	20,484,723	13,462,878	11,584,714	10,177,617
42,028,400	33,664,700	25,455,022	25,290,613	17,229,234	16,507,127	16,584,077
23,650,826	22,065,699	15,766,111	13,831,354	4,728,448	4,004,298	3,344,885
39,164,172	37,487,924	22,514,942	20,486,351	6,031,029	5,261,790	4,225,021
—	8,029,587	—	—	—	—	—
148,462,652	140,005,143	88,597,384	80,093,041	41,451,589	37,357,929	34,331,600
22,739	20,238	11,767	9,848	6,291	5,424	4,681
15,242	12,298	9,081	9,093	6,325	6,048	5,997
19,903	18,417	11,798	10,463	3,592	3,176	2,660
49,411	45,583	23,469	21,407	7,755	6,656	5,372
—	3,586	—	—	—	—	—
3,675	2,943	1,670	1,369	450	306	130
110,970	103,065	57,785	52,180	24,413	21,610	18,840

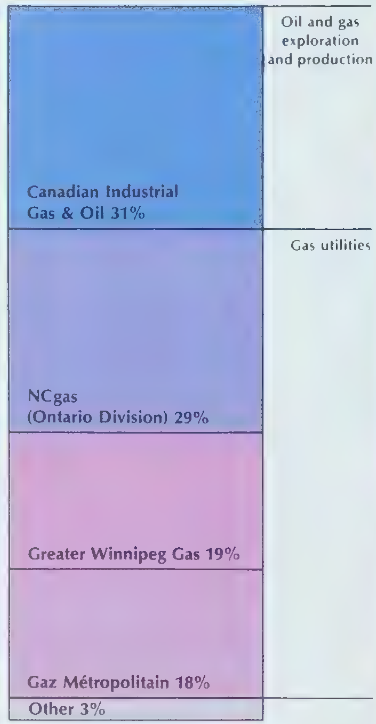
*Includes sales of liquefied natural gas

Distribution of Common Shares

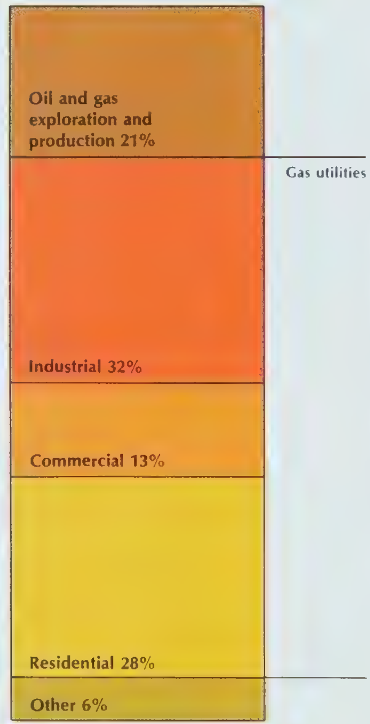
December 31, 1971
of Northern and Central Gas Corporation Limited



Contribution to Consolidated Income



Sales and other revenues



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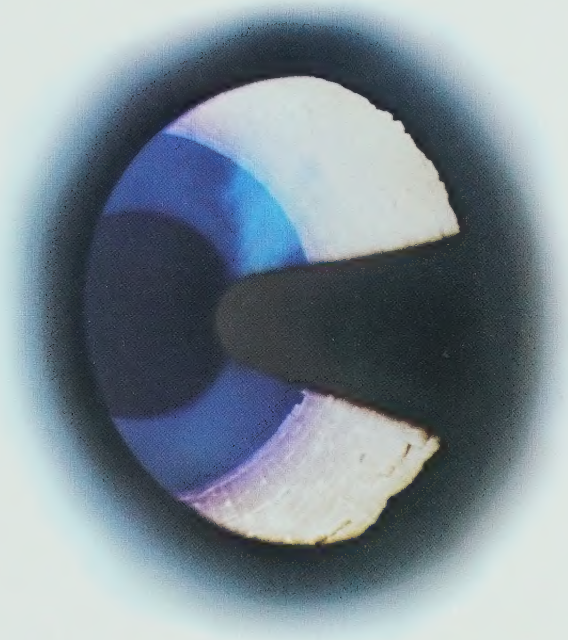

There are thousands of industrial uses for natural gas.

NORTHERN AND CENTRAL GAS CORPORATION
4600 Toronto-Dominion Centre, Toronto 1, Canada
1971

NORTHERN AND CENTRAL GAS CORPORATION LIMITED
4600 Toronto-Dominion Centre, Toronto 1, Ontario

OPERATING SUBSIDIARIES:

ALBERTA

Canadian Industrial Gas & Oil Ltd.
640 Eighth Avenue, S.W., Calgary 2.

MANITOBA

Greater Winnipeg Gas Company
265 Notre Dame Avenue, Winnipeg 2.

ONTARIO

Ontario Division, Northern and Central Gas Corporation Limited
150 Consumers Road, Willowdale 425, Ontario.

Champion Pipe Line Corporation Limited
4600 Toronto-Dominion Centre, Toronto 1.

QUEBEC

Gaz du Québec, inc.
1717 du Havre St., Montreal 134.

Gaz Métropolitain, inc.
1717 du Havre Ste., Montreal 134.

Le Gaz Provincial du Nord de Québec Ltée
9 est rue Perreault, Rouyn.

CONSOLIDATED STATEMENT OF SOURCE OF FUNDS FOR NET PROPERTY ADDITIONS (UNAUDITED)

(Thousands of Dollars)

	6 Months Ended June 30 1971	1970
Earnings Retained in the Business		
Consolidated net income	$12,764	$10,915
Non-cash items		
Depreciation, depletion, amortization, minority interests, etc.	11,673	10,320
Dividends on preference shares	(1,330)	(1,364)
Dividends on common shares	(3,936)	(3,710)
	19,171	16,161
Financing		
Issue of long-term debt	51,013	25,196
Issue of common shares for cash	26	16,883
Decrease in bank loans	(23,137)	(32,486)
Retirement of long-term debt	(4,741)	(5,129)
Redemption of preference shares	(396)	(418)
Financing expenses	(1,741)	(2,363)
Acquisition of shares of subsidiary companies	(85)	(43)
	20,939	1,640
Other Items		
Increase in working capital	(23,733)	(3,787)
Increase in investments	(764)	(3,301)
Other—net	2,625	(654)
	(21,872)	(7,742)
Net Property Additions	$18,238	$10,059

Printed in Canada

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INTERIM REPORT

JUNE 30, 1971

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NORTHERN AND CENTRAL GAS CORPORATION LIMITED

NORTHERN AND CENTRAL GAS CORPORATION LIMITED

To the Shareholders:

Consolidated net income for the first six months of 1971 was $12,764,000, an increase of 16.9% over $10,915,000 for the same period of 1970. Total sales and other revenues increased 10.4%, from $94,267,000 to $104,102,000. Basic earnings per share were 86¢, compared to 76¢ for 1970.

Utility operations contributed $10,039,000, or 78.6%, to consolidated net income in 1971, compared to $8,054,000, or 73.8% in 1970. This increase reflects the results of the continuing programs of cost containment and other income improvements in all three utility areas but, most notably, in Montreal.

CIGOL and its subsidiaries have participated in the drilling of 14 oil and 8 gas wells to date this year. Of particular importance is the announced condensate discovery in Block 30/2-1 of the North Sea in which CIGOL has a 15% interest. In recognition of the significance of areas of interest outside Canada, CIGOL has recently established an office in London. CIGOL's contribution to consolidated net income was $2,725,000, compared to $2,860,000 in 1970.

The Company has recently recommenced the issue and sale of commercial paper which, together with maturities of present short term investments and bank lines of credit, will provide funds for the balance of the planned 1971 capital construction program.

C. Spencer Clark
Chairman of the Board

Edmund C. Bovey
President and
Chief Executive Officer

July 30, 1971

COMPARATIVE STATEMENT OF INCOME (UNAUDITED)
(Thousands of Dollars)

	6 Months Ended June 30		12 Months Ended June 30	
	1971	1970	1971	1970
Revenues				
Sales and other revenues	$104,102	$ 94,267	$182,482	$167,183
Costs and Expenses				
Gas purchases	47,595	43,442	88,295	80,159
Operations and maintenance	15,243	13,588	28,788	26,819
Depreciation and depletion	8,887	8,028	16,309	15,825
Taxes other than income	2,779	2,646	5,209	5,084
Interest	11,899	10,799	22,774	20,505
Income taxes	2,149	2,276	619	1,889
	88,552	80,779	161,994	150,281
Income before minority interests	15,550	13,488	20,488	16,902
Minority interests in subsidiaries				
Preference share dividends	475	543	1,002	1,100
Common share earnings	2,311	2,030	3,519	3,056
	2,786	2,573	4,521	4,156
Consolidated Net Income	12,764	10,915	15,967	12,746
Dividends on Preference Shares	1,330	1,364	2,682	2,744
Earnings Applicable to Common Shares	$ 11,434	$ 9,551	$ 13,285	$ 10,002
Earnings per Share:				
basic	$ .86	$ .76	$ .99	$ .82
fully diluted	$ .78	$ .70	$ .95	$ .81